

# Premium Payments Guideline - 6.9.G (12/15/99)

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This guideline has been reformatted for placement on Sandia's External Web site.

### Definitions

**Exempt Employees** are persons employed in bonafide executive, administrative or professional capacities as defined in the Fair Labor Standards Act. (See Guideline 5.7.G - Service Contract Act).

**Overtime Payments** are premium payments made by a SNL Contractor to employees who work time outside of a Contractor's normal work schedule at rates in excess of regular pay scales. The requirement for a Contractor to make overtime payments may stem from:

- state or federal law,
- Contractor's written personnel policy, or
- applicable collective bargaining agreements.

**Premium Payments** are direct charges against an order or contract to cover:

- expedited service,
  - payment for overtime including holiday and shift differential pay, and
  - special handling.
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## **Premium Payments Before Award - 6.9.G.1**

The requesting organization shall recommend premium payments by either:

- including a provision for premium payments in the PR, or
- sending a memo to the SCR signed by the appropriate commitment level authorizing the funding for the premium payments. (Memo should be retained in the contract file.)

**Caution:** If the approval of premium payments requires additional funds, a written request from the Line Requester is required.

The SCR should state clearly SNL's delivery and/or performance schedule requirements in the solicitation. Any requirement for contract performance on holidays, swing or graveyard shifts should be stated in the solicitation.

Premium payments, including payments for time worked in excess of Contractor's regular schedule (as defined in the contract), shift differentials or holiday pay, are allowable or reimbursable only to the extent approved in writing by the SCR. The scope of the authorization must be clearly defined so that the Contractor, SNL Contract Auditors and SNL Accounts Payable Clerks understand what the SCR intends to include in the authorization.

**Note:** Premium payments should be authorized prospectively but may be authorized retroactively when justified by circumstances documented in the procurement file.

### **Cost-Reimbursement Contracts - 6.9.G.1.a**

Premium payments that are allowable reimbursable costs under Cost-Plus-Fixed-Fee (CPFF) and Cost-No-Fee (CNF) Ts&Cs should be authorized by the SCR in the contract; however, the authorization may be by letter if the authorized funds are sufficient to cover the premium payments.

### **Time and Material and Labor Hours Contracts - 6.9.G.1.b**

Premium payments allowable under T&M and LH contracts must be clearly defined in Section I of the contract or in a contract revision.

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## **Premium Payments after Award - 6.9.G.2**

### **Firm-Fixed Price SPOs/Contracts - 6.9.G.2.a**

Premium payments which increase the order/contract price should not be authorized by the SCR unless the Contractor furnishes some consideration to SNL other than that which is covered in the existing order/contract. Examples of additional consideration may include:

- better delivery than in the existing contract, or
- better goods or services than required in the existing contract.

If the authorization of premium payments increases the order/contract price, the SCR must obtain a written request from the Line Requester and issue a revision if the change exceeds the SCR's invoice approval authority. (See Policy and Guideline 6.2.G - Commitments and Approvals)

### **Cost-Reimbursement Contracts - 6.9.G.2.b**

The SCR can authorize premium payments in CPFF and CNF contracts with the concurrence of the Requester either by letter or contract revision. A contract revision is required if the authorized funds must be increased.

### **Time and Material and Labor Hours Contracts - 6.9.G.2.c**

The allowable charges provisions in Section I should set forth rates for each labor category and show reimbursement rates for standard time worked and overtime worked. Exempt Contractor employees or labor categories not eligible for overtime payments should be identified in the contract. The SCR must authorize premium payments in existing T&M and LH contracts by contract revision that specifies the circumstances under which the premium payments will be made.

### **Unauthorized Premium Overtime - 6.9.G.2.d**

Time worked for which premium payments are claimed by the Contractor but not authorized by the SCR shall be allowable or reimbursed at standard time rates to the extent that they are otherwise allowable.

### **Exempt Employees - 6.9.G.2.e**

Exempt Contractor employees are generally not paid premium overtime. SCR's should thoroughly justify and document the contract file if premium payments are authorized for exempt Contractor employees.

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## Premium Payments and Delegation of Authority - 6.9.G.3

The delegation of the authority to authorize premium payments for overtime is an exceptional procedure and should not be used unless there are compelling reasons dictated by a specific job or situation. Compelling reasons include:

- remote job site, and
- unavailability of the SCR.

Where compelling reasons exist for such a delegation, appropriate documentation shall be included in the procurement file justifying the delegation.

If these compelling reasons exist, only the Sandia Delegated Representative specified in the contract may perform this function, and only if so authorized.

When a Sandia Delegated Representative (SDR) is authorized to approve premium payments for overtime, the SCR shall include the following in Section I of the contract:

- the premium overtime rate(s) (only for Fixed Rate contracts, or for T&M and LH contracts),
- a ceiling on the total amount of:
  - premium rate overtime (hours) that can be authorized by the SDR(s), or
  - premium rate overtime payments that will be paid,
- the specific time period that the delegated authorization is in effect,
- the SDR's name, organization number, and telephone number, (in SC 404-KDB), and
- a statement in SC 404-KDB - Delegation of Authority, clearly authorizing the SDR(s) to approve premium payments for overtime.

Premium overtime worked by Contractor employees without advance written authorization shall not be approved by an SDR. Premium overtime worked by Contractor employees without advance written authorization may be approved after the fact **only** by the SCR.

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# Applicable Clauses - 6.9.G.4


- SC 404-KDB - Delegation of Authority
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## References - 6.9.G.5

- Policy and Guideline 5.7 - Davis-Bacon Act
  - Policy and Guideline 5.8 - Service Contract Act
  - Policy and Guideline 6.15 - Special Items and Explosives
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Send feedback on ideas and information on this page to the Process Expert, Randy Shibata.

{PRIVATE "TYPE=PICT;ALT=[mailto:]"}  [Randy Shibata](#)

{PRIVATE "TYPE=PICT;ALT=[Mail to:]"}  [Frank Lujan III](#)

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